Financial Corporation Limited

1999 Annual Report

Financial Corporation Limited and subsidiary companies

The Year at a Glance

31st Annual Report	1999	1998
Total Premiums	**$ 875,594,000**	$ 822,513,000
Total Revenues	**1,185,846,000**	1,118,902,000
Net Income	**52,599,000**	57,165,000
Total Assets (including segregated funds)	**5,756,343,000**	5,522,285,000
Shareholders' Equity	**1,001,548,000**	951,114,000
Net Income per Share	**13.70**	14.88

Note: Per share earnings figures assume full conversion of the Company's convertible preference shares.

Annual Meeting of Shareholders

The Annual Meeting of Shareholders will be held at 12:00 noon Toronto time on Wednesday, May 3, 2000 at the Company's head office, 165 University Avenue, Toronto. All shareholders are invited to attend.

Head Office	Tenth Floor, 165 University Avenue, Toronto, Ontario
Shares Listed	Toronto Stock Exchange
Auditors	Deloitte & Touche LLP
Transfer Agent and Registrar	Montreal Trust Company of Canada

E-L Financial Corporation Limited and subsidiary companies

Board of Directors

J. Christopher Barron,
Chairman, Scotia Cassels Investment Counsel Limited

Paul Cantor,
Executive Director, The Toronto International Leadership Centre for Financial Sector Supervision

George L. Cooke,
President and Chief Executive Officer, The Dominion of Canada General Insurance Company

William J. Corcoran,
Vice-Chairman, Ontario Pension Board

E. Kendall Cork,
Managing Director, Sentinel Associates Limited

William B. Harris, LL.D.,
Corporate Director

Duncan N.R. Jackman,
Managing Director, The Fulcrum Investment Company Limited

The Honourable Henry N.R. Jackman,
Chairman and President, E-L Financial Corporation Limited

J. Alex. Langford, Q.C.,
Barrister and Solicitor

James W. McCutcheon, Q.C.,
Counsel, McCarthy Tétrault

Christopher H. McElvaine, F.S.A., F.C.I.A.,
President and Chief Executive Officer, The Empire Life Insurance Company

Leonard N. Savoie,
Corporate Director

The Right Honourable John N. Turner, P.C., C.C., Q.C.,
Partner, Miller Thomson

Manon R. Vennat, C.M.,
Chairman, Montreal, Spencer Stuart & Associates (Canada) Ltd.

Honorary Director
Peter S. Gooderham,
Corporate Director

Officers

Chairman and President
The Honourable Henry N.R. Jackman

Vice-Chairman
E. Kendall Cork

Executive Vice-Presidents

Christopher H. McElvaine
President and Chief Executive Officer
The Empire Life Insurance Company

George L. Cooke
President and Chief Executive Officer
The Dominion of Canada General Insurance Company

Vice-President, Finance and Secretary
Mark M. Taylor

Management's Discussion and Analysis
Report on E-L Financial Corporation Limited

E-L Financial Corporation Limited (the Company) operates as an investment holding company. It owns 100% of The Dominion of Canada General Insurance Company and 80% of The Empire Life Insurance Company. The results and prospects of these two subsidiaries are discussed in the Management's Discussion and Analysis pages in respect of these two companies. The Company also owns an investment portfolio.

Strategy and Plans

The Company's strategy is to accumulate wealth within each of its investee companies. The Company manages its investments through representation on the boards of directors of the two insurance subsidiaries and of the investment companies in which the Company has shareholdings.

Overview of Results

The consolidated financial statements that follow reflect the results and financial position of the two insurance companies and the Company's portfolio investments. Additional information is provided in the notes to the financial statements.

For the year ending December 31, 1999, E-L Financial Corporation Limited earned net income of $ 52.6 million or $13.70 per share compared with the previous year's earnings of $57.2 million or $14.88 per share. 1999 net income includes $3.5 million (1998 - $4.1 million) in amortized gains relating to the sale of National Trustco Inc. in 1997. An additional $19.7 million of the gain will be amortized into net income over future years. Excluding the National Trustco Inc. transaction, 1999 net income was $49.1 million or $12.79 per share compared with $53.1 million or $13.82 per share in 1998.

The results and financial position of the two insurance companies are further described in each of their management's discussion and analysis.

The Company's portfolio investments are carried at market value on the balance sheet. Prior to 1998, these investments were recorded at cost on the balance sheet and their market values were presented in the notes to the financial statements.

In 1999, the unrealized appreciation in the Company's portfolio investments decreased $4.7 million (1998 - a decrease of $.3 million) or approximately 1.0 % (1998 - .1%) of the market value of the investment portfolio. Realized gains during the year totalled $4.4 million (1998 - $8.6 million).

Year 2000

While it is still premature to conclude that there will be no impact on the Company arising from the year 2000 issue, no effects or issues have arisen to date.

The Company's exposure primarily relates to adverse impacts on the operations and value of its two insurance company investments and on the investment companies in which it has equity positions. The year 2000 exposures and remedial actions relative to each of the two insurance companies are described later in this discussion and analysis. The Company continues to have contingency plans in place which it believes are adequate to address any Year 2000 problems that may arise.

Report on E-L Financial Corporation Limited

Outlook and Risks

The Company's future prospects are in part a function of the continued profitability of the two insurance company investees. Future prospects are also, in part, a function of the successful management of its investment portfolios in the face of ongoing changes in financial markets.

The insurance companies are federally regulated financial institutions and accordingly, their future prospects will be affected by future changes in legislation and regulation for the financial services sector. Further, these companies operate in competitive marketplaces that recently have experienced significant changes including consolidation, new entrants, increased price competition and lower investment yields. These factors are expected to continue in the foreseeable future. The insurance companies' future prospects will, in part, be a function of their ability to effectively manage their operations, including the pricing and distribution of their products. Future success will also be a function of continued focus on cost-containment, service enhancement, investment management performance, appropriate pricing strategies and effective use of technology. Risks relating to the Company's financial instruments are described further in the notes to the financial statements.

Mr. Leonard Savoie, who has been a Director since 1979, has reached retirement age and will not be standing for re-election in 2000. Mr. Savoie has been a valuable contributor over the years, and has been particularly effective in helping us develop successful human resource strategies.

Management's Discussion and Analysis

Report on General Insurance Operations

Mr. George L. Cooke

The Dominion of Canada General Insurance Company ("The Dominion"), a wholly owned subsidiary of E-L Financial Corporation Limited, is licensed to underwrite property and casualty insurance in all jurisdictions in Canada. Its operations are focused in Ontario, Alberta, British Columbia and the Atlantic provinces. The Dominion incorporated a wholly-owned subsidiary, Chieftain Insurance Company ("Chieftain") in February 1999 under the Insurance Companies Act. Chieftain commenced operations in October 1999 in the Greater Toronto Area, offering personal automobile and property products with unique features, through independent brokers using point of sale technology. This management discussion and analysis incorporates the consolidated results of The Dominion and Chieftain (collectively, the "Company").

Results of Operations

Overview

Net income for the year ended December 31, 1999 was $12.4 million compared to $18.2 million in the prior year. Return on average equity was 4.2% in 1999 and 6.6% in 1998. The decrease in net income from 1998 consists of a higher underwriting loss, at a combined ratio of 109.5% in 1999 compared to 108.1% in 1998, and a 2.0% reduction in investment income.

The *Summary of General Insurance Operations* on page 35 of this report provides an overview of results of the five-year period from 1995 - 1999.

The industry's financial drivers remained depressed in 1999. Premium rates generally remained inadequate. Average investment portfolio yields, comprising predominantly fixed income securities, continue at low levels. Loss costs have continued to escalate at trends above the general inflation rate.

Premiums

The Company achieved significant growth in 1999. Gross written premiums of $592.4 million increased $34.3 million (6.1%) from the prior year of $558.1 million. The Dominion's average premium rates earned in 1999 remained level with the prior year as competition continued to keep products generally under-priced. The Company's growth was generated from increased policy counts in all lines of business, as a result of strong support from independent brokers.

Chieftain commenced operations around the Greater Toronto Area in October 1999. Chieftain advertises lower priced home and auto insurance, achieved through a minimized cost structure, and invites consumers to call 1-877-HEY CHIE[F]. Calls are automatically allocated to independent brokers who provide service and issue policies using point of sale technology. Chieftain provides independent brokers with products and pricing that enable them to compete with direct-response marketing insurers. In 1999, Chieftain's impact on the Company is immaterial. Management plans continued growth in the Greater Toronto Area with expanded rollout in other areas.

Premium income represents gross written premiums, less reinsurance expense, generally earned on a straight-line basis over the terms of the related policies, and increased in 1999 by $12.8 million (2.4%) due to the increase in gross written premiums.

Report on General Insurance Operations (cont'd)

Mr. George L. Cooke

Claims

The loss ratio (ratio of claims expense to premium income) for all lines was 74.8% in 1999 compared to 72.2% in 1998. The increase results mainly from increased conservatism in assumptions used to establish unpaid claims provisions for 1999 accident benefit, bodily injury and general liability claims.

The Company underwrites standard general insurance products with operations focused in four regions as summarized in the following table. A key measure of the profitability of a line of business is the loss ratio, which is also provided below.

Gross Written Premiums by Region

	1999	1998
Atlantic	$ 47,598	$ 39,032
Ontario	411,402	386,876
Western	87,991	82,357
Pacific	45,389	49,811
	$ 592,380	$ 558,076

Gross Written Premiums ("GWP") and Losses by Line of Business

		1999		1998	
		GWP	Loss Ratio	GWP	Loss Ratio
Personal	- automobile	$ 299,543	77.4%	$ 280,103	77.0%
	- property	135,119	66.7	130,545	62.7
Commercial	- automobile	69,616	77.6	62,852	87.4
	- property	50,155	71.4	48,735	52.7
	- casualty and surety	37,947	82.0	35,841	65.2
		$ 592,380	74.8%	$ 558,076	72.2%

Current year loss ratios reflect strengthened conservatism in personal and commercial automobile and general liability (casualty) for current year claims. There were no significant adjustments to provisions for unpaid claims arising in prior years in 1999 (1998 claims expense included a $6.2 million net increase in prior year provisions). The changes in 1999 commercial loss ratios from 1998 largely arise from prior year provision adjustments recorded in 1998. The 1998 commercial automobile result reflects increases for prior year claims provisions, while the 1998 commercial property loss ratio includes a reduction in prior year claims provisions. The Company continues to focus on careful selection of risks, adequate pricing, appropriate claims management practices and strong broker relationships to maintain favourable underwriting results.

Expenses

Commissions decreased in 1999 overall, and as a percentage of premium income to 18.1% from 19.2% in the prior year. This change was due to reduced contingent profit commissions, which are earned by brokers based on their premium volume and profitability, resulting from reduced profitability as measured at the broker level and due to some adjustments to the formula in 1999, designed to better align profit commissions with the Company's overall profitability.

Operating expenses remained consistent with the prior year in total and declined slightly as a percentage of premium income. Salaries and benefits increased $1.5 million, reflecting salary increases and higher termination costs in 1999. Other expenses increased as a result of the increase in premium income. Offsetting these increases were credits to expenses of $3.0 million arising from a property tax refund, interest on income tax refunds and a final reimbursement from the estate of a liquidated property and casualty insurer to which all insurers, including the Company, had contributed in accordance with industry regulations.

Premium taxes are charged by provinces at fixed rates and vary directly with gross written premiums. There were no significant changes in rates in 1999 or 1998.

Investments

Investment income before income tax was $47.8 million in 1999, a decrease of $1.0 million from $48.8 million in the prior year. The decrease is primarily due to the $1.1 million decrease in the Company's share of the investment income of the Facility Association, the pool for higher risk drivers in which all insurers must participate based on their market share. Excluding this difference, the Company's investment income was level with the prior year, reflecting lower rates of return in 1999 on a higher balance of cash and investments.

On an after-tax basis investment income of $29.6 million exceeded the prior year of $28.1 million due to an increase in the equity component of the portfolio and resulting dividend income which is fully deductible for tax purposes. Investments and cash increased $87.9 million during the year. The additional funds were generated from operations, particularly from an increased unpaid claims balance, and from investment gain proceeds. Excluding cash, the investment portfolio mix at December 31, 1999 consisted of 62% bonds (1998 - 67%) and 31% stocks (1998 - 27%).

Gain on sale of investments was $16.6 million in 1999, compared to $16.8 million in the prior year. Realized gains and losses result from trading decisions which are made to maximize the ongoing economic return of the portfolio and, accordingly, do not follow a predictable pattern from year to year.

Risks and Uncertainties

Approximately half of the Company's gross written premiums are generated from automobile insurance coverage in Ontario. Effective November 1, 1996 a new automobile product, Bill 59, was introduced in Ontario to replace Bill 164. The ability to manage the legislative changes in this line of business and to continue to effectively manage ongoing claims settlement under the three preceding auto products in Ontario, is significant to the Company's success. The Company was knowledgeable and well prepared for these products' introduction and is effectively managing these claims.

Report on General Insurance Operations (cont'd)

Mr. George L. Cooke

The property and casualty insurance industry generally invests a significant portion of its investment portfolio in bonds. Volatility in the financial markets, particularly in interest rates, may therefore have a significant impact on the market value of an investment portfolio. The Dominion manages this potential exposure through a conservative approach to balancing management of risk against the achievement of acceptable returns. A significant challenge for an insurer is to manage the duration of its bond portfolio such that significant losses are not realized in a volatile interest rate environment. The Dominion's bond portfolio is maintained at a relatively short duration, currently between four to five years. The Dominion's bond portfolio primarily comprises government issue bonds with the balance in higher quality corporate issuers. Volatility in the equity markets also brings exposure. The Dominion's equity portfolio is considered to be in support of shareholder capital and is therefore managed from a longer term perspective.

Unpaid and unreported claims is based on an actuarially determined provision for all costs of investigation and settlement of insurance losses occurring prior to year end. Many assumptions underlie these estimates such as claims frequency and severity, claims payment trends, inflation and interest rates, potential changes in legislation and the interpretation of liability by the courts. Ultimate costs incurred will inevitably vary from current estimates.

The Company writes a significant amount of personal and commercial property business in British Columbia and, accordingly, is exposed to loss from a major earthquake. The Dominion mitigates this exposure through strong underwriting guidelines, effective use of deductibles, adequate pricing, appropriate reinsurance coverage, and management of the broker force. The Company's financial preparedness for an earthquake, through its catastrophe reinsurance agreements and through its own capital, is well in excess of the federal regulator's minimum requirements.

The Company distributes solely through independent brokers, being the channel which distributes the majority of property and casualty insurance products in Canada. Accordingly, the Company's success is contingent on the ongoing success of brokers and their competitiveness with captive agents or direct insurers and on the Company's strategic foresight and ability to respond to threats to the broker distribution channel. Consolidation at the broker level is continuing and insurers are increasingly acquiring or investing in brokerages to protect market share. A risk with the large broker consolidators (who are acquiring independent brokers and concentrating large volumes of premium) is that they will increasingly use their size as leverage to increase commissions (and hence the price of insurance) or decrease insurers' profit margins thus eroding the competitiveness of those who distribute through them. The Company is continuously monitoring this issue and remains committed to dealing with brokers who share the Company's distribution objectives of preserving choice, personalized professional service and price competitiveness.

Appropriate use of technology remains important to competitiveness. A top priority for the Company involves projects which improve the "ease of doing business" for brokers. Companies that position themselves as having the path of least inconvenience will be rewarded with retention and new business. Accordingly, the Company is working towards an "e-business" solution for brokers, to improve efficiency and customer service. Other technology initiatives underway address automation of manual processes and improving access to information. Richer information allows companies to have a superior ability to pinpoint drivers of underwriting profitability, manage business mix, and provide field personnel and brokers with more decision-useful information regarding their insurance portfolios. These technology projects are aligned with an ongoing internal best practices productivity initiative whereby processes and allocation of resources are closely scrutinized in search of more efficient and superior customer service.

Report on General Insurance Operations (cont'd)

Mr. George L. Cooke

Year 2000

While it is still premature to conclude that there will be no impact to the Company arising from the year 2000 issue, no effects or issues have arisen to date. The Company completed its system remediation changes and contingency planning and successfully operated into 2000. No year 2000 issues relating to our trading partners have been observed. The Company believes its contingency plans are adequate to address any problems that may subsequently emerge.

With respect to potential for insurance exposure to year 2000 related claims, in 1998 the Company informed its brokers and commercial policyholders in writing that year 2000 causes of loss are not considered to arise from a fortuitous event and, accordingly, were never intended to be covered under the Company's policies. In addition, the Company wrote to its commercial policyholders with suggestions for mitigating year 2000 exposure. For greater clarity, The Dominion changed its commercial policy wordings beginning in early 1998 to explicitly exclude year 2000 as a covered cause of loss. Wording changes were not made on personal policies since management deemed exposure to be low. Statutory losses (fire, lightning and explosion) caused by year 2000 failures would still be covered because they cannot be excluded from coverage under existing regulations regardless of cause. No claims have been presented to the Company and management does not expect any to emerge.

To date, The Dominion has incurred approximately $10.0 million in costs excluding internal personnel time, $1.0 million of which was incurred in 1999. In addition to these costs, significant internal management and staff time has been applied by information services and other departments. These amounts have all been expensed as incurred or capitalized and amortized in the case of purchased software, related licenses and external implementation consulting costs.

Outlook

The Company's 2000 Business Plan anticipates that the industry will continue to experience a depressed price environment, although some modest movement in prices is emerging. The Company has begun to increase some premium rates and will continue to do so, to the extent possible without significantly disrupting volume. Market interest rates will continue to be lower than average yields on fixed income portfolios and a lower level of investment gains is expected. Chieftain will continue to grow in a measured manner and seek to achieve profitability as early as possible. The Company continues to enjoy strong support from broker partners. A clearly articulated, consistent business strategy, and a rapidly developing technological environment, leave the Company well-positioned – superior brokers, innovative employees, strongly capitalized, desirable mix of business and demonstrated ability to grow – for future growth and profit.

Management's Discussion and Analysis
Report on Life Insurance Operations
Mr. Christopher H. McElvaine

The Empire Life Insurance Company, under the Empire Financial Group name, provides a broad range of life insurance and investment products, employee benefit plans, and financial services to meet the needs of individuals, professionals, and businesses through a network of resource centres and sales offices across Canada.

Financial Results in Summary

The Company reported shareholders' net income of $39.3 million for 1999 compared to $33.0 million for 1998. The increase in earnings continued the strong earnings trend evident in the prior four years, and was primarily a result of the improved results at Concordia Life Insurance Company (a wholly owned subsidiary), and the effect of the merger of Empire's two pension plans. The merger resulted in a non-recurring reduction in pension plan expenses that increased shareholders' net income by $3.3 million. The net contribution to E-L Financial's earnings, after adjustment for minority interests, was $31.3 million ($26.3 million for 1998). Empire continued to exhibit a healthy balance sheet. Its risk-based capital ratio, as measured by Minimum Continuing Capital and Surplus Requirements, continued to be very strong and well above minimum requirements.

Total assets were up 4% in the year, a slight improvement over 1998 when asset levels were unchanged. Most of the growth was generated by the life insurance and segregated fund lines, offset by a reduction in the investment products line.

The *Summary of Life Insurance Operations* on page 35 of this Report provides an overview of results for the five-year period from 1995 to 1999. The analysis and discussion which follow, focus on the 1999 and comparative 1998 results for each of the major lines of business.

Segregated Funds

Sales trends at the beginning of 1999 departed from the previous two years. Early in the year, consumers shied away from pooled fund products as a result of the global correction of stock markets in the third quarter of 1998. The assets in the Company's Segregated Funds increased 4% in the year as market value appreciation more than offset negative net sales during the year.

Net income was above the record level this product line achieved in 1998, primarily due to the growth in fee income resulting from the increase in funds.

	(thousands) 1999	1998
Fee and other income	$ 39,765	$ 38,121
Benefits and expenses	27,344	28,552
Income and other taxes	5,589	4,361
Net income after tax	$ 6,832	$ 5,208
Assets under management	$ 1,846,896	$1,777,727

Investment Products

While sales of guaranteed investment policies and annuities did not reach the level of the mid-nineties when higher interest rates made these products more attractive, premiums from these products were up almost 20% over 1998. However, this was not enough to replace maturing policies and consequently, assets in this line of business decreased by 8% during 1999.

Net income for this product line showed a significant improvement over 1998 results. The excellent result in 1999 was a consequence of the Company's asset liability matching strategy, which enabled continued strong earning spreads on Empire's fixed income annuities. Empire's strong earnings, which were aided by reserve releases that reflected the future tax benefits from investing in preferred shares, were partially offset by losses on Concordia's Investment Products line. The losses at Concordia resulted primarily from the strengthening of reserve assumptions.

(thousands)	1999	1998
Annuity premiums	$ 92,867	$ 77,520
Fee income	768	848
Investment and other income	68,494	74,630
	162,129	152,998
Benefits and expenses	159,947	154,021
Income and other taxes	(1,552)	(2,016)
Net income after tax	$ 3,734	$ 993
Assets under management	$ 838,411	$ 916,525

Employee Benefits

In 1999, the Employee Benefits product line continued the implementation of the growth plan developed in late 1997. As a result of these initiatives, sales reached record levels, up more than 50% from 1998. Boosted by the increase in sales, premium income rose by almost 20%. Net income (loss) showed a modest improvement from 1998 with one-time expense savings partially offset by increased new business strain, higher than expected claims ratios on health lines, and the strengthening of disability life reserves.

Throughout the year product features and pricing were changed to keep our products current and properly priced in the highly competitive marketplace. Technology development continued with the implementation of a new sales commission module that was added to the base administrative system. High-level design work was also initiated for the replacement of legacy claims systems.

Report on Life Insurance Operations (cont'd)

Mr. Christopher H. McElvaine

	1999 (thousands)	1998
Premium income	$ 66,021	$ 55,434
Investment and other income	3,604	3,481
	69,625	58,915
Benefits and expenses	69,088	58,995
Income, premium and other taxes	1,008	586
Net income (loss) after tax	$ (471)	$ (666)
Annualized premium sales	$ 20,455	$ 13,171

Individual Insurance

Sales in 1999 were slightly in excess of the record level set in 1998. Empire's and Concordia's distribution systems contributed equally to 1999 sales.

During the year, as part of our ongoing efforts to further enhance penetration into this market, we restructured Empire's Individual Insurance network of resource centres and sales offices. In addition, we delivered a producer technology platform, which provides our producers with a fully integrated suite of tools. On the product side, Empire delivered a newly enhanced Critical Illness product in 1999 and both companies will release enhanced universal life products in 2000.

Earnings in 1999 benefited from favourable mortality experience, particularly at Concordia. In addition, one- time expense savings contributed positively to the line's earnings.

However, 1999 earnings were reduced by a net strengthening in policy liabilities as a result of the annual revision of actuarial assumptions. This is in contrast to 1998, when income was bolstered by a net release of policy liabilities.

Dividends credited to participating policies increased to $9.4 million in 1999. Empire has not reduced its policyholder dividend scale since the late 1970's. The strong surplus position of Empire's Policyholders' account has allowed a continuation of the current dividend scale, although the outlook for future investment yields will require us to monitor this closely.

	(thousands) 1999	1998
Premium income	$ 161,782	$ 147,379
Investment and other income	68,111	49,345
	229,893	196,724
Benefits and expenses	213,952	178,071
Income, premium and other taxes	9,127	9,418
Net income after tax	$ 6,814	$ 9,235
Annualized premium sales	$ 20,142	$ 20,026

Capital and Surplus

In addition to the four major lines of business, the Company maintains distinct accounts for the investment income attributable to Policyholders' Surplus and to Shareholders' Capital and Surplus. The 1999 contribution to net income from the Policyholders' Surplus account and the Shareholders' Capital and Surplus account was $21.8 million compared to $17.0 million in 1998. Capital and Surplus results increased due to favourable stock market conditions in 1999.

Acquisitions

Empire has maintained a long-standing strategy of acquiring blocks of business or operations that complement its existing business. During 1999, Empire entered into two agreements. Neither of these had significant impact on financial results during the year but each will contribute to growth in revenue in 2000. An agreement was signed with Coopérants, Mutual Life Insurance Society to assume a block of immediate and deferred annuity business. This transaction closed on January 31, 2000 and added $132 million of assets and liabilities to Empire's balance sheet. Another agreement was signed with Provident Life and Accident Insurance Company. Commencing November 1, 1999, Empire offered Extended Health and Dental benefits to existing Provident group policyholders at their policy renewal date. This program will continue through October 31, 2000 and will provide Empire with access to over 300 new group insurance clients.

Empire continues to examine further acquisition opportunities which are consistent with its major lines of business and which have the potential to provide enhanced market opportunity for its products, expense savings, asset growth, and long term earnings.

Report on Life Insurance Operations (cont'd)

Mr. Christopher H. McElvaine

Summary Results

	(thousands) 1999	1998
Net income:		
Segregated Funds	$ 6,832	$ 5,208
Investment Products	3,734	993
Employee Benefits	(471)	(666)
Individual Insurance	6,814	9,235
Capital & Surplus	21,766	17,010
Net income from Canadian operations	38,675	31,780
Net income from subsidiary (net of minority interest)	153	454
Net income	38,828	32,234
Policyholders' portion of income	(445)	(814)
Minority shareholders' portion of income	7,995	6,728
Net profit contribution to E-L Financial	$ 31,278	$ 26,320

People

The Company's employees are the key to its ongoing success. We recognize the importance of our employees as a unique, strategic resource that will continue to set us apart from the competition. Our objective is to enhance the alignment of their efforts and competency development with the strategic direction and goals of the Company.

This year, the Company introduced a new performance management process for employees entitled, Achieving Business Excellence (ABE). ABE clarifies, for individual employees and teams, what it takes to be successful in a particular role and how it adds value to the business. The process will also enable employees to create a personal portfolio of showcase achievements in preparation for their next career move.

The ABE process focuses on achieving business results, leveraging individual employee talents, being more strategic about our people assets, and building the organizational capabilities required to succeed in a dynamic and complex business environment. It will enable the Company to build the capacity to manage change through more effective employee relationships.

Year 2000

While it is still premature to suggest that the Company was totally successful in avoiding all Year 2000 ("Y2K") problems, to date there have been no issues that caused any concern.

During 1999 all mission critical core administration systems, external interfaces and other important systems were reviewed, remediated, and tested. Final confirmation of their readiness was attained via a thorough end-to-end test where the interdependencies amongst systems and interfaces were tested on key business processes. Within this end-to-end exercise, the systems were tested by advancing the dates through March 2000, including those key dates prescribed by the Office of the Superintendent of Financial Institutions. Once operational, they were subject to century change management (a process where any further technology changes are reviewed for potential Year 2000 impact) to ensure that we retained our Year 2000 readiness state. We successfully completed an off-site test at our Hot Site on a simulated configuration set to Year 2000.

Other than potential disruptions due to essential infrastructure services, the Company had and has limited vulnerability to the Year 2000 readiness of third parties as it has limited electronic interfaces with third parties and it has readily available manual alternatives. Contingency plans, including manual processing for fund transfers and cheque preparation, were in place to minimize any disruption that may have resulted from a third party not being Year 2000 ready. In addition, the investment department reviewed the readiness of major corporate borrowers and counterparties. As part of the ongoing review, investment managers continue to monitor investments in light of potential year 2000 effects and believe that this risk is being appropriately managed.

Corporate wide contingency plans were developed and tested. The Contingency Plan was closely linked to the existing ERP (Enterprise Recovery Plan) and DRP (Disaster Recovery Plan) processes.

Technology

With the arrival of the new millennium, Technology continues to be a key foundation for every financial institution and continues to be a significant component of our focus on improving our customer service and relationships.

In 1999 Empire launched two significant initiatives towards improved service for our producers and our customers. In the spring of 1999 Empire's direct service team was established at our Kingston head office. A combination of major process change supported by real time data access facilitated the move to a centralized direct service approach for producers and customers. We also launched the final segment of our producer technology platform, providing our producers with a fully integrated suite of tools, including a customer management system with periodic updates from our core systems, a financial needs analysis tool and the illustrations for our key products.

A good part of the Information Systems resources were allocated to the completion of Y2K, complete with full end-to-end Y2K Testing and a Disaster Recovery Test at our Hot Site simulating Year 2000. It was very rewarding for everyone when the actual year-end event was uneventful and all systems were running as usual for the opening of January 2000.

Part of our Y2K project included the implementation in August 1999, of a new agency compensation system. This is Empire's first business application that includes the capability for web access to data. As e-business becomes the mode of operations, Empire is embracing the technology platforms and infrastructure to facilitate web access for our Field Operations division, our producers and before long, our customers.

During the latter part of the year, as we could see the end of the Y2K focus, we turned our attention to establishing the foundation and platforms for the future. It is imperative that our technology base and methodologies support rapid introduction of new products as well as product enhancements. In conjunction with the launch of a new product we will introduce a new individual insurance administration system taking us into full relational database technology along with full web capability. This will become our base system and we will convert all our in-force policies to the new platform.

Technology continues to deliver process improvements and ease of access to data as well as continuing to play a key role in facilitating our interaction with various business partners.

Outlook

As expected, merger and acquisition activity continued in 1999, with the announcements of Maritime Life acquiring Aetna Canada and Transamerica purchasing NN Life. The consolidation taking place within the industry coupled with the past and expected demutualizations of a total of five Canadian mutual life insurance companies is expected to have a significant impact on the individual life insurance market. The impact is expected to be similar to what is already emerging in the group insurance market. The combination of fewer players and an increased focus on providing expected returns to shareholders has increased group insurance profitability as prices are pushed upwards, and should have a like impact on individual insurance products. Thus, the opportunities for companies such as Empire and Concordia to increase market share through "organic growth", while achieving target returns, are becoming more attractive relative to growth through acquisitions.

On the wealth management side of our business, competition intensified as 1999 sales within the fund industry dropped dramatically from 1998 levels. The combination of the acquisition of the Coopérants block of annuity business and the offering of Empire's wealth management products to Concordia's distribution system will help Empire to grow this product line in 2000 despite the recently shrinking marketplace.

Empire continues to maintain a strong balance sheet and capital position. Capital is well in excess of minimum regulatory requirements as measured by the Minimum Continuing Capital and Surplus Requirements. Our "A" (Excellent) rating from A.M. Best Company, combined with continued passing of all the tests calculated by the TRAC Insurance Services Ltd., provide third party confirmations of this strength. We believe that with Empire's strong capital base we are well positioned to capitalize on the opportunities which exist in today's market while maintaining the Company's enviable earnings history.

We remain committed to the distribution of our products through qualified intermediaries who can provide the counsel consumers need to fulfil their financial goals. It is our intention to continually enhance the technology and service support that these advisors need to service their clients. We believe that the strengthening of our relationship with our producing partners and a focus on developing new relationships with quality producers is the key element in achieving our growth goals.

Financial Corporation Limited and subsidiary companies

(Incorporated under the laws of Ontario)

Management Report

The accompanying consolidated financial statements of E-L Financial Corporation Limited and its subsidiaries and all information in the annual report are the responsibility of management and have been approved by the Board of Directors. The financial statements necessarily include amounts that are based on judgements, which are applied consistently and are considered appropriate in the circumstances.

The financial statements have been prepared by management in accordance with accounting principles generally accepted in Canada. Financial and operating data elsewhere in the annual report are consistent with the information contained in the financial statements.

The Company and its subsidiaries maintain systems of internal control which are designed to provide reasonable assurance that assets are safeguarded, that transactions are properly recorded and that financial records are reliable for preparing the financial statements.

The Board of Directors carries out its responsibility for the financial statements in this annual report principally through its Audit Committee and the Audit Committees of its subsidiaries. These Audit Committees meet periodically with management and with the internal and external auditors to discuss the scope and results of audit examinations with respect to internal controls and financial reporting of the Company. The Audit Committees also meet periodically with the appointed actuaries.

The actuaries are appointed by the boards of directors of the insurance subsidiaries to conduct an annual valuation of policy liabilities, in accordance with accepted actuarial practices, and to report on whether the valuations are appropriate and whether their results are fairly presented in the subsidiaries' financial statements.

Deloitte & Touche LLP have been appointed external auditors. It is their responsibility to report to the shareholders regarding the fairness of presentation of the Company's consolidated financial position and results of operations as shown in the annual financial statements. In carrying out their audit, the independent external auditors also make use of the work of the actuaries and their reports on policy liabilities. The external auditors have full and free access to, and meet periodically with, the Audit Committees to discuss their audits. The Auditors' Report outlines the scope of their examination and their opinion.

The Honourable Henry N.R. Jackman
Chairman and President

Mark M. Taylor
Vice-President, Finance
and Secretary

Consolidated Balance Sheets
(thousands of dollars)

As at December 31,

Assets	1999	1998
Portfolio investments, at market value (Note 4)	$ 454,080	$ 457,032
Investments - insurance operations (Note 5)	2,682,227	2,593,366
Cash and cash equivalents	265,035	195,025
Premiums receivable	128,395	116,186
Investment income accrued	29,113	30,953
Deferred acquisition expenses	72,805	73,059
Reinsurance recoverable (Note 6)	132,227	141,457
Deferred income taxes	48,960	24,969
Income and other taxes receivable	—	10,278
Other assets (Note 8)	96,605	102,233
	$3,909,447	$3,744,558
Segregated funds assets	$1,846,896	$1,777,727

Auditors' Report

To the Shareholders of
E-L Financial Corporation Limited

We have audited the consolidated balance sheets of E-L Financial Corporation Limited as at December 31, 1999 and 1998 and the consolidated statements of income, retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Canada. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 1999 and 1998 and the results of its operations and the changes in its cash flows for the years then ended in accordance with accounting principles generally accepted in Canada.

Deloitte & Touche LLP

Toronto, Canada
March 1 , 2000

Chartered Accountants

Liabilities	1999	1998
Policy liabilities (Note 6)	**$2,481,750**	$2,420,619
Policyholders' funds on deposit	**36,026**	35,151
Income and other taxes payable	**46,044**	—
Provision for profits to policyholders	**10,631**	9,901
Deferred realized net gains on investments (Note 7)	**136,208**	127,910
Other liabilities	**55,548**	55,992
Deferred income taxes on unrealized appreciation of portfolio investments (Note 4)	**29,756**	38,526
	2,795,963	2,688,099
Minority interest	**62,314**	55,278
Participating policyholders' interest	**49,622**	50,067
	111,936	105,345
Shareholders' Equity		
Capital stock (Note 10)	**7,892**	7,892
Retained earnings (Note 10)	**765,666**	714,987
Unrealized appreciation of portfolio investments (Note 4)	**227,990**	228,235
	1,001,548	951,114
	$3,909,447	$3,744,558
Segregated funds liabilities	**$1,846,896**	$1,777,727

Approved by the Board

The Honourable Henry N.R. Jackman, Director

J. Christopher Barron, Director

Consolidated Statements of Income
(thousands of dollars except per share amounts)

	Years Ending December 31,	
	1999	1998
Revenue		
Insurance premiums	$ 782,465	$ 744,685
Annuity premiums	93,129	77,828
Investment and other income	257,649	244,506
Amortization of realized investment gains	20,674	20,347
Amortization of unrealized investment gains	10,937	6,097
Gain on sale of investments (Note 13)	20,992	25,439
	1,185,846	1,118,902
Expenses		
Claims and policy benefits	771,982	698,507
Commissions	146,584	148,034
Operating	133,841	134,880
	1,052,407	981,421
Operating Income Before the Undernoted Items	133,439	137,481
Taxes		
Income (Note 12)	38,181	40,405
Premium	22,976	21,979
Investment and capital	2,263	3,030
	63,420	65,414
Net Operating Income	70,019	72,067
Policyholders' and Minority Shareholders' Portion of Income	17,420	14,902
Net Income (Note 13)	$ 52,599	$ 57,165
Earnings per Share	$ 13.70	$ 14.88

Consolidated Statements of Retained Earnings
(thousands of dollars)

	Years Ending December 31,	
	1999	1998
Retained earnings, beginning of year	**$714,987**	$659,742
Net income	**52,599**	57,165
	767,586	716,907
Dividends (Note 10)	**(1,920)**	(1,920)
Retained earnings, end of year	**$765,666**	$714,987

Consolidated Statements of Cash Flows
(thousands of dollars)

	Years Ending December 31,	
	1999	1998
Net inflow (outflow) of cash related to the following activities:		
Operating		
Net income	**$ 52,599**	$ 57,165
Items not affecting cash resources:		
Increase (decrease) in net policy liabilities	**70,361**	(40,969)
Gain on sale of investments	**(20,992)**	(25,439)
Deferred income taxes	**(23,947)**	13,589
Other items	**(14,805)**	(31,360)
Policyholders' dividends	**(9,780)**	(8,913)
	53,436	(35,927)
Net change in other assets and liabilities	**19,765**	(6,287)
	73,201	(42,214)
Financing		
Dividends to shareholders	**(1,920)**	(1,920)
Investing		
Purchases of investments	**(810,195)**	(862,229)
Proceeds from sale of investments	**831,251**	916,744
Net purchases of other assets	**(22,327)**	(63,170)
	(1,271)	(8,655)
Increase (decrease) in cash and cash equivalents	**70,010**	(52,789)
Cash and cash equivalents, beginning of year	**195,025**	247,814
Cash and cash equivalents, end of year	**$265,035**	$195,025

1. Nature of the business

E-L Financial Corporation Limited ("the Company") is an investment holding company.

The Company has two operating insurance subsidiaries, The Dominion of Canada General Insurance Company ("Dominion") and The Empire Life Insurance Company ("Empire"). Dominion underwrites property and casualty insurance ("general insurance") while Empire underwrites life and health insurance policies and annuity contracts (collectively "life insurance") for individuals and groups. Both subsidiaries are registered under the Insurance Companies Act and operate in most provinces and territories across Canada.

In addition, the Company manages a portfolio of publicly traded fixed income and equity securities both directly and indirectly through a number of closed-end investment fund corporations and other investment companies ("portfolio investments").

2. Summary of significant accounting policies

Basis of presentation

These consolidated financial statements include the accounts of Dominion and 1127334 Ontario Inc. (both wholly-owned); E-L Financial Services Limited (81.0% owned) and its 98.3% owned subsidiary company, Empire (including Empire's wholly-owned subsidiary Concordia Life Insurance Company ("Concordia") and Empire's 51% owned subsidiary company, GRENEL Financial Corporation.)

Portfolio investments

The significant accounting policies applied to the Company's portfolio investments are as follows:

Investments

Portfolio investments are carried at market value. For publicly traded securities, market value is determined based on closing market quotations. Securities which are not publicly traded, represent shares in certain investment companies, for which market value is determined based on the market values of the underlying net assets. The investment portfolios held by these companies are comprised of publicly traded securities.

Realized gains and losses on sale of investments, measured as the difference between average cost and sales proceeds, are recognized in the income statement on the date of disposal. Unrealized gains and losses which arise through changes in the market value of portfolio investments, net of the relevant income taxes, are recorded through Unrealized Appreciation of Portfolio Investments which is a separate component of shareholders' equity.

Short-term investments consist of treasury bills, commercial paper and bankers' acceptances with maturities of greater than three months and less than one year when acquired. Treasury bills, commercial paper and bankers' acceptances with maturities of three months or less from the date of acquisition are classified as cash equivalents. These investments are carried at cost, which approximates fair value.

Dividends and interest

Dividend income is recognized on the ex-dividend date. Interest income is recognized as it is earned.

Deferred income taxes

Deferred income taxes are recorded with respect to the potential tax liability related to the unrealized appreciation in investment values.

Insurance operations

The accounting policies applied in the general and life insurance industries differ in various respects. The differences mainly affect investments and policy liabilities as explained below.

Investments

Investments in bonds and debentures are carried at amortized cost and mortgages are carried at amortized cost less repayments. Investments in stocks, real estate and commercial loans are carried at cost except as described below.

For the general insurance operation, gains and losses on the sale of investments are recognized on the date of disposal.

For the life insurance operation, unrealized gains and losses on stocks and real estate are amortized to income at annual rates of 15% and 10%, respectively. The accumulated unrealized gains and losses amortized to income are included in the balance sheet with the related investments and are separately disclosed in Note 5. Realized gains and losses on stocks are deferred and amortized to income at a 15% annual rate. Realized gains and losses on the sale of bonds and mortgages are deferred and amortized to income over the lesser of the period to maturity or twenty years from the date of sale. The unamortized realized gains and losses for bonds, mortgages and stocks are included in the balance sheet as deferred realized net gains on investments.

Investments with a permanent impairment in value are written down to their estimated realizable value.

Loans on policies are carried at their unpaid balance and are either fully secured by the cash surrender values of the life insurance policies on which the respective loans are made or fully secured by the assignment of a life insurance policy to the Company.

Deferred acquisition expenses

In the life insurance operation, distribution costs of segregated funds, having a deferred sales charge, are deferred and amortized over the term of the related deposits or the applicable period of such sales charges, as appropriate.

Deferred acquisition expenses for the general insurance operation, comprised primarily of commissions and premium taxes, are amortized over the periods in which the premiums are earned. Premiums are earned on a straight line basis over the term of the related policies.

Policy liabilities

Policy liabilities are computed in accordance with the standards of the Canadian Institute of Actuaries. Annually, each insurance subsidiary obtains an actuarial opinion on the appropriateness of the policy liability amounts recorded in its financial statements. These opinions also incorporate related amounts for reinsurance recoverable and deferred acquisition expenses, relating to the general insurance operations, that are recorded as assets in the balance sheet. The bases used for estimating each of general and life insurance policy liabilities are described below.

General insurance policy liabilities include provisions for unearned premiums and unpaid and unreported claims. The provision for unpaid and unreported claims provides for all costs of investigation and settlement of insurance losses that have occurred prior to the year end, net of anticipated salvage and subrogation. Estimates must be made of the ultimate costs for known or reported claims as well as an estimate for those claims incurred but not yet reported. Many assumptions underlie these estimates such as claims, frequency and severity, claims payment trends, inflation and interest rates, as well as potential changes in legislation and in the interpretation of liability by the courts.These estimates do not recognize the time value of money except for policy liabilities for automobile accident benefit payments.

Life insurance policy liabilities are calculated using the policy premium method. They represent the estimated amount which, together with estimated future premiums and investment income, will be sufficient to fund future benefits, dividends, expenses and taxes on policies in force. The liabilities incorporate management's best estimate assumptions regarding such factors as mortality and morbidity, investment returns, rates of policy terminations, level of operating expenses, inflation, policyholder dividends and taxes.

All changes in policy liability estimates are recorded in claims and policy benefits in the statement of income in the period in which they occur.

Reinsurance ceded

Reinsurance is ceded to other insurers in order to limit exposure to unusual losses. Reinsurance ceded does not relieve the operation of its primary liability. Ceded reinsurance premiums and reinsurance recoveries on claims and policy benefits incurred are recorded as a reduction of the respective income and expense amounts. Estimates of amounts recoverable from reinsurers in respect of general insurance policy liabilities and unearned premiums are recorded as reinsurance recoverable on the balance sheet.

Income taxes

Income taxes are calculated using the accrual method of accounting for income taxes. Certain items of income and expense are recognized in different periods for financial reporting and income tax purposes, giving rise to deferred tax balances. These differences primarily relate to timing differences pertaining to the recognition of policy liabilities and investment income.

Participating policyholders' interest

Certain life, disability and annuity policies are defined as participating policies by contractual provisions, and are eligible for periodic dividends. The distribution of dividends is made from the earnings attributed to the performance of the participating business.

Pensions

Current service costs are charged to operations as they accrue.

For defined benefit plans, pension benefit obligations are determined by independent actuaries using management's best estimate assumptions and the accrued benefit method. Adjustments arising from plan amendments, changes in assumptions and experience gains and losses are amortized on a straight-line basis over the expected average remaining service lives of the employee groups.

Segregated funds

The segregated fund asset and liability amounts in the balance sheet are in respect of investment funds held on behalf of insurance policyholders.

The Company's statement of income includes fee income earned from the segregated fund business.

Investments held in the segregated funds are carried at market values.

3. Change in accounting policy

In 1998, the Company changed the basis of accounting for its portfolio investments. Previously, these investments were recorded at cost, with related market value information disclosed in the notes to the financial statements. The changed policy, to carry portfolio investments at market value, conforms with generally accepted accounting policies applied by investment companies.

This change in presentation, which had no impact on Net Income for 1998 or prior years, was applied on a retroactive basis.

(all dollar figures expressed in thousands)

4. Portfolio investments

	1999		1998	
	Cost	Market Value	Cost	Market Value
Short-term investments	$ 3,331	$ 3,331	$ —	$ —
Bonds and debentures	100,617	95,543	105,078	106,749
Common and preferred stocks	92,386	355,206	85,193	350,283
	$ 196,334	$ 454,080	$ 190,271	$ 457,032

Market values for bonds and debentures are based on publicly quoted prices. Market values for publicly traded equity securities are based on closing market quotations. Where equity securities are not publicly traded, market values are determined based on the market value of the net assets underlying these entities. Realization on the market value appreciation of equity investments held is dependent in part on the timing of distribution of cash dividends by these entities or the ultimate disposition of the Company's interest in these entities.

The Company's investments in common and preferred stock are held in entities that can be significantly influenced by a party that can significantly influence the Company. Included in the statement of income are cash dividends from these companies amounting to $13,541 (1998 - $19,822).

The Company's bond and debenture portfolio is comprised of 68% (1998 - 68%) Canadian federal and provincial bonds. Bond and debenture investments have the following maturity profile: 37% (1998 - 12%) less than three years, 13% (1998 - 32%) between three and five years, and 50% (1998 - 56%) over five years. The effective interest rate on this portfolio is 5.4% (1998 - 5.4%) and the portfolio duration is 5.3 years (1998 - 6.1 years).

The net change in Unrealized Appreciation of Portfolio Investments is comprised of the following:

	1999	1998
Unrealized appreciation of portfolio investments, beginning of year	$ 228,235	$ 223,732
Decrease in market value of portfolio investments	(4,653)	(274)
Realized gains during the year	(4,362)	(8,599)
Decrease in provision for taxes on unrealized appreciation	3,670	7,519
Taxes paid on non-cash dividends received	5,100	5,857
Unrealized appreciation of portfolio investments, end of year	$ 227,990	$ 228,235

Certain of the investments held distribute accumulated value by way of stock dividends, which are taxable to the Company when received, and accordingly reduce the provision for income taxes on unrealized appreciation.

(all dollar figures expressed in thousands)

5. Investments - insurance operations

The carrying value and market values of investments are as follows:

	1999		1998	
	Carrying Value	**Market Value**	Carrying Value	Market Value
Short-term investments	**$ 67,711**	**$ 67,711**	$ 58,826	$ 58,826
Bonds and debentures	**1,524,097**	**1,557,301**	1,536,871	1,778,731
Mortgages and commercial loans	**260,256**	**263,539**	266,694	280,837
Common and preferred stocks	**581,217**	**710,390**	487,068	631,619
Real estate	**10,008**	**22,726**	10,228	16,995
Loans on policies	**207,615**	**207,615**	204,872	204,872
Amortized unrealized gains on investments	**31,323**	**—**	28,807	—
	2,682,227	**2,829,282**	2,593,366	2,971,880
Less: matched securities	**(1,544,886)**	**(1,585,292)**	(1,525,328)	(1,747,204)
	$1,137,341	**$1,243,990**	$1,068,038	$1,224,676

Market values for bonds and debentures and common and preferred stocks are based on publicly quoted prices. Due to the nature of loans on policies, market value is assumed to be equal to carrying value. Market value for mortgages and commercial loans reflects a revaluation of the underlying cash flows based on current market interest rates. Market values for each real estate property are established periodically by qualified appraisers. Market values, which are shown without providing for any sale transaction costs, represent an approximate measure of fair value.

Matched securities include certain investments acquired to match life insurance policy liabilities by quality, yield and maturity. Fluctuations in the market values of these matched securities usually will not have any net impact upon future income.

The remaining investments are held to maintain sufficient liquidity to pay general insurance claims as they come due and to provide an appropriate return on policyholders' and shareholders' equity, a significant portion of which must be maintained to satisfy regulatory minimum capital requirements.

Canadian federal and provincial bonds comprise 72% (1998 - 75%) of the general insurance operations bonds and debentures. These bonds and debentures have the following maturity profile: 20% (1998 - 8%) within two years, 37% (1998 - 39%) between two and five years and 43% (1998 - 53%) over five years. The effective interest rate of these bonds and debentures is 6.4% (1998 - 6.6%) and the portfolio duration is 4.2 years (1998 - 5.0 years).

Allowances have been provided on impaired investments. Allowances for impairment amounted to $8,947 (1998 - $8,971) on investments of $25,141 (1998 - $24,107).

The shareholders' proportion of any gains or losses to be realized on life insurance operation investments will be reduced by amounts attributed or allocated to policyholders' and minority interests.

(all dollar figures expressed in thousands)

6. Policy liabilities

Policy liabilities are comprised of:

	1999			1998		
	Gross	**Reinsurance**	**Net**	Gross	Reinsurance	Net
General insurance unearned premiums provision	**$ 283,566**	**$ 2,722**	**$ 280,844**	$ 261,874	$ 3,022	$ 258,852
General insurance unpaid and unreported claims provision	**594,239**	**53,835**	**540,404**	575,818	67,739	508,079
Life insurance benefits and expense provision	**1,603,945**	**75,670**	**1,528,275**	1,582,927	70,696	1,512,231
	$ 2,481,750	**$ 132,227**	**$ 2,349,523**	$2,420,619	$141,457	$2,279,162

General insurance unearned premiums provision represents the portion of premiums that relate to the unexpired term of underlying insurance policies. These amounts are determined to be sufficient to fund anticipated claims and expenses.

The change in net policy liabilities from the prior year, excluding the general insurance unearned premium provision, is outlined below:

	1999	1998
General insurance		
Balance, beginning of year	**$ 508,079**	$ 475,867
Prior year claims development	**(1,109)**	6,157
Current year claims incurred	**415,843**	385,043
Claims payments	**(382,409)**	(358,988)
Balance, end of year	**$ 540,404**	$ 508,079
Life insurance		
Balance, beginning of year	**$ 1,512,231**	$ 1,586,439
Changes in valuation assumptions	**(700)**	500
Normal changes - new business	**111,896**	85,793
- in-force business	**(95,152)**	(160,501)
Balance, end of year	**$ 1,528,275**	$ 1,512,231

In the absence of an active market for the sale of claims liabilities, it is difficult to determine the fair value of the general insurance unpaid and unreported claims provision and reinsurance recoverable. One appropriate representation of fair value is the discounted value as determined by accepted actuarial practice. As at December 31, 1999 the actuarially discounted value of unpaid and unreported claims is $569,000 (1998 - $553,000) and of reinsurance recoverable is $44,000 (1998 - $60,000).

The general insurance unpaid and unreported claims provision does not include amounts for claims where obligations to claimants have been settled by the purchase of annuities from life insurance companies. The Company guarantees the life insurers' obligations under these annuities which are estimated to be $131,956 based on the net present value of the projected future cash flows. The Company considers the credit risk of such guarantees to be insignificant.

(all dollar figures expressed in thousands)

Note 5 shows the relationship between fair values and carrying values of matched assets relating to the life insurance operation. The Company has estimated that any increase or decrease in the fair value of the matched asset portfolio would result in a corresponding increase or decrease in the fair value of the related policy liabilities of approximately the same amount.

The provisions described above are estimates and accordingly, the actual amounts that are subsequently incurred will differ. The likelihood of significant differences from amounts currently provided increases with the length of the term until the settlement amounts of claims and the timing of other benefits are established. A significant proportion of the Company's policy liabilities are long-term. Management of the Company is satisfied that current estimates constitute a prudent assessment of these liabilities.

7. Deferred realized net gains on investments

Deferred realized net gains, which arise from the life insurance operation, include approximately $65,000 (1998 - $51,000) of net gains related to bonds and mortgages that are matched to policy liabilities. When amortized, the gains on matched investments will not result in any net increase in future income.

8. Other assets

Other assets are comprised of the following:

	1999	1998
Due from Facility Association	**$ 26,488**	$ 34,312
Goodwill (net of accumulated amortization of $1,897 (1998 - $948))	**7,588**	8,537
Capital assets, at cost (net of accumulated amortization of $35,395 (1998 - $44,536))	**23,617**	22,782
Due from reinsurance companies	**12,983**	12,747
Pension asset (Note 14)	**14,650**	8,308
Other	**11,279**	15,547
	$ 96,605	$ 102,233

Facility Association is an insurance plan, operated on behalf of the automobile insurance industry, that provides coverage to higher risk automobile drivers. Results are pooled and shared among automobile insurers.

Goodwill, representing the excess of acquisition cost of Concordia shares over the assigned value of net assets acquired, is being amortized on a straight line basis over 10 years.

9. Reinsurance

In the normal course of business, the insurance subsidiaries cede reinsurance to other insurers in order to limit exposure to unusual losses. The general insurance operation's exposure to claims was limited as follows: $3,000 for an automobile claim; $750 for personal and commercial property claims; $1,250 for a casualty claim; and $2,500 for a surety claim. The general insurance operation also has a catastrophe reinsurance arrangement providing coverage up to $400,000, in the event of a series of claims arising out of a single occurrence, under which the general insurance operation is responsible for the first $15,000 plus 2.5% of claims exceeding the retention level to the upper level. The life insurance operation's exposure to claims is limited to $500 on any one life. These reinsurance arrangements are reflected in the consolidated statement of income as a reduction of $34,860 (1998 - $38,620) in insurance premiums.

(all dollar figures expressed in thousands)

10. Shareholders' equity

Capital stock

		1999	1998
Authorized:			
4,402,733	preference shares, issuable in series		
10,597,267	common shares		
Issued:			
264	Series A convertible preference shares	$ 1	$ 1
3,840,248	common shares	7,891	7,891
		$ 7,892	$ 7,892

The Series A convertible preference shares are convertible in perpetuity into common shares on a share for share basis and are entitled, when and if declared, to a non-cumulative dividend of $0.50 per share per annum. During 1998 there were fifteen preference shares converted into common shares.

Both the Series A convertible preference and common shares received dividends of $0.50 per share in 1999 and 1998.

Shareholders' entitlement to $5,514 (1998 - $5,564) of shareholders' equity is contingent upon future payment of dividends to participating life insurance policyholders.

11. Capital adequacy of insurance subsidiaries

The Company's insurance subsidiaries are required to maintain capital and surplus in excess of minimums established through regulatory tests applied by the Office of the Superintendent of Financial Institutions. Each subsidiary has capital and surplus in excess of the required minimum.

12. Income taxes

The combined statutory Canadian federal and provincial tax rate applicable to the Company and its subsidiaries approximates 44.9% (1998 - 44.8%). Income taxes are assessed on operating income after deducting premium taxes and investment taxes. The effective tax rate varies from the combined statutory rate as follows:

	1999	1998
Income taxes at statutory rate	$ 48,520	$ 50,911
Variance as a result of:		
Tax-paid investment income	(7,834)	(6,017)
Policy dividends	(4,207)	(3,946)
Other	1,702	(543)
Income tax provision	$ 38,181	$ 40,405

The Company's income tax expense includes provisions for current and deferred taxes as follows:

	1999	1998
Current	$ 62,128	$ 26,816
Deferred	(23,947)	13,589
	$ 38,181	$ 40,405

During 1999, the Company and its subsidiaries paid income tax instalments totalling $33,309 (1998 - $59,383) and received income tax refunds totalling $22,799 (1998 - $3,961).

(all dollar figures expressed in thousands)

The Company also has accumulated refundable dividend tax of $10,919 (1998 - $8,004). The potential benefit of this amount has not been reflected in these financial statements.

13. Analysis of net income

Components of net income, each net of policyholders' and minority shareholders' interest, is as follows:

	1999	1998
Income excluding undernoted	$ 30,687	$ 36,058
Amortization of investment gains and losses	13,384	11,707
Gain on sale of investments	8,528	9,400
	$ 52,599	$ 57,165

Net income for 1999 includes $3,469 (1998 - $4,081) of amortized realized gains relating to the disposition of the Company's investment in National Trustco Inc. There remains $19,656 (1998 - $23,125) to be amortized over future years to net income at a 15% annual rate.

14. Pension plans

Empire formerly maintained two defined benefit pension plans covering substantially all of its employees. Regulatory approval was obtained during 1999 to merge these two plans effective January 1, 1999, resulting in a non-recurring reduction to 1999 pension expense of $2,638 on an after tax basis. The plan is contributory and provides pensions based on length of service and final years' salaries.

Effective May 1, 1994, Dominion converted its defined benefit staff pension plan to a money purchase pension plan with all defined benefit accruals ceasing on that date. The commuted values of the defined benefits were transferred to money purchase plan accounts for those employees who so elected. Curtailment and settlement gains occurring in 1994, 1995 and 1996, resulted in the recognition of pension surplus. The money purchase plan is available to all Dominion employees.

As at December 31, 1999, the estimated market value of the assets available to cover defined benefit obligations was $92,140 (1998 - $86,778) and the accrued pension obligations were $65,292 (1998 - $62,727).

(all dollar figures expressed in thousands)

15. Segmented information

In managing its investments, the Company distinguishes between its portfolio investments, its investment in general insurance (Dominion) and its investment in life insurance (Empire).

	1999			
	Portfolio Investments	Dominion	Empire	Total
Premiums	$ —	$ 554,662	$ 320,932	$ 875,594
Amortization of realized and unrealized investment gains	—	—	31,611	31,611
Gain on sale of investments	4,362	16,630	—	20,992
Investment and other income	17,356	54,891	185,402	257,649
Taxes	11,407	25,070	26,943	63,420
Policyholders' and minority shareholders' portion of income	—	—	17,420	17,420
Segment net operating income	8,887	12,434	31,278	52,599
Segment invested assets	498,858	1,229,077	2,181,512	3,909,447

	1998			
	Portfolio Investments	Dominion	Empire	Total
Premiums	$ —	$ 541,872	$ 280,641	$ 822,513
Amortization of realized and unrealized investment gains	—	—	26,444	26,444
Gain on sale of investments	8,599	16,840	—	25,439
Investment and other income	21,080	55,245	168,181	244,506
Taxes	15,903	27,745	21,766	65,414
Policyholders' and minority shareholders' portion of income	—	—	14,902	14,902
Segment net operating income	12,640	18,205	26,320	57,165
Segment invested assets	502,890	1,157,408	2,084,260	3,744,558

16. Lease commitments

Future minimum payments under operating leases are as follows:

2000	$ 15,854
2001	11,041
2002	7,966
2003	5,428
2004	2,352
Thereafter	2,548
	$ 45,189

17. Risk factors and their management

The Company and its subsidiaries, Dominion and Empire, face various risk factors, inherent to their activities, including risk factors peculiar to insurance operations. These risk factors and their management are described below.

Credit risk, interest rate risk and liquidity risk
The management of investments is conducted in accordance with investment policies that are approved by the Board of Directors. Management's application of these policies is regularly monitored by Board committees. Management and Board committees review credit quality relative to investment purchases and also monitor the credit quality of invested assets through time.

The management of investments is key to matching policy liabilities and earning an appropriate return on investments matched to equity.

Dominion's executives manage liquidity relative to the anticipated pay-out patterns of general insurance claims and, within those constraints, aim to maximize investment income.

Empire's financial, actuarial and investment executives meet regularly throughout each year to monitor the matching of investments to policy liabilities. This process is designed to ensure that interest rate and liquidity risks are managed appropriately. This matching is particularly important relative to investment products, such as annuities.

Pricing risk
Dominion and Empire price their products with the intention of achieving appropriate profitability in the face of obligations that are uncertain due to a number of factors, including the prospect that they may take many years to mature.

Dominion faces uncertainties involving claims frequency and severity, claims payment trends, investment returns as well as potential changes in legislation and in the interpretation of liability in the courts. Empire faces uncertainties involving mortality, investment returns, expense levels and lapsing of policies.

Product pricing is established through consideration of the companies' actuarial assessment of current claims exposures and anticipated trends in the risk factors described above.

In addition, Dominion and Empire establish policies regarding the amount of risks underwritten which they are prepared to retain, taking into consideration the risk to their available equity. Amounts in excess of that retention are reinsured with the external reinsurers.

Business risks
The Company faces a broad range of business risks including: market risks; internal control risks; consumer risks related to sales practices; distribution risks; ongoing strong competition in the insurance marketplace; regulatory constraints on automobile insurance pricing; and various forms of litigation.

(all dollar figures expressed in thousands)

The Company and its Boards of Directors monitor risks on an ongoing basis; requiring regular reports from management on all key developments and on how planning and other control procedures are being applied to identify and minimize such risks.

To date the Company has not experienced any material adverse effects from such business risks and believes its control procedures minimize the exposure to such risks in the future.

18. Derivative financial instruments

In the ordinary course of business, as part of an asset-liability management program, Empire uses various call options and futures contracts to match policy obligations that vary with a variety of indices. In addition, Empire uses futures contracts to partially match Shareholders' and Policyholders' equity. The notional amounts of these financial instruments are not recognized in the financial statements.

	Notional Value	Fair Value
Options	$ 1,250	$ 531
Futures	$ 86,131	$ 2,540

Fair value represents the estimated cost of replacing all contracts with a positive value at current quoted market prices.

In management's opinion, these positions, which are actively monitored, do not represent any unusual risk and no significant losses are anticipated.

19. Uncertainty due to the Year 2000 issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. Although the change in date has occurred, it is not possible to be certain that all aspects of the Year 2000 Issue affecting the Company, including those related to the efforts of customers, suppliers or other third parties, will be fully resolved.

20. Comparative information

Certain comparative information has been reclassified to conform to the basis of presentation adopted in 1999.

Summary of Consolidated Results

(all dollar figures expressed in thousands except per share amounts)

	1999	1998	1997	1996	1995
Premium income	$ 875,594	$ 822,513	$ 805,187	$ 766,606	$ 723,330
Gain on sale of investments	20,992	25,439	118,820	5,466	1,935
Amortization of realized and unrealized investment gains	31,611	26,444	25,508	19,003	9,712
Investment and other income (1)	257,649	244,506	197,526	184,560	174,768
Total revenues	1,185,846	1,118,902	1,147,041	975,635	909,745
Claims and policy benefits	771,982	698,507	678,051	613,897	598,551
Expenses (including agents' commissions) (1)	280,425	282,914	240,863	229,433	201,923
Taxes paid to governments	63,420	65,414	50,149	57,315	52,578
	70,019	72,067	177,978	74,990	56,693
Policyholders' and minority shareholders' portion of income	17,420	14,902	11,592	16,878	13,138
Net income	$ 52,599	$ 57,165	$ 166,386	$ 58,112	$ 43,555
Net income per share	$ 13.70	$ 14.88	$ 43.32	$ 15.13	$ 11.34
Assets					
Cash and cash equivalents (2)	$ 265,035	$ 195,025	$ 255,500	$ 116,377	$ 139,431
Portfolio investments, at market	454,080	457,032	441,410	354,577	287,839
Investments - insurance operations	2,682,227	2,593,366	2,524,990	1,787,795	1,628,037
Reinsurance recoverable	132,227	141,457	128,885	89,538	127,534
Premiums receivable	128,395	116,186	113,902	110,579	105,145
Other assets	247,483	241,492	271,627	214,240	230,714
	3,909,447	3,744,558	3,736,314	2,673,106	2,518,700
Segregated funds	1,846,896	1,777,727	1,669,407	1,137,460	815,198
	$ 5,756,343	$ 5,522,285	$ 5,405,721	$ 3,810,566	$ 3,333,898
Liabilities					
Policy liabilities	$ 2,481,750	$ 2,420,619	$ 2,449,016	$ 1,661,106	$ 1,648,101
Other liabilities	314,213	267,480	295,814	219,806	174,940
Policyholders' and minority shareholders' equity in surplus	111,936	105,345	100,118	97,178	98,849
	2,907,899	2,793,444	2,844,948	1,978,090	1,921,890
Capital stock	7,892	7,892	7,892	7,892	7,892
Retained earnings	765,666	714,987	659,742	495,276	436,061
Unrealized appreciation of investments	227,990	228,235	223,732	191,848	152,857
	1,001,548	951,114	891,366	695,016	596,810
	3,909,447	3,744,558	3,736,314	2,673,106	2,518,700
Segregated funds	1,846,896	1,777,727	1,669,407	1,137,460	815,198
	$ 5,756,343	$ 5,522,285	$ 5,405,721	$ 3,810,566	$ 3,333,898

Note: (1) Certain amounts have been reclassified to conform to the basis of presentation adopted in 1999.

Summary of Life Insurance Operations

(all dollar figures expressed in thousands)

	1999	1998	1997	1996	1995
Premium income	**$ 320,932**	$ 280,641	$ 259,716	$ 228,744	$ 255,011
Amortization of realized and unrealized investment gains	**31,611**	26,444	25,508	19,003	9,712
Investment and other income	**185,402**	168,181	124,461	116,642	111,058
	537,945	475,266	409,685	364,389	375,781
Policy benefits	**357,248**	307,307	291,078	236,738	257,001
Expenses and commissions	**105,056**	104,971	76,604	70,719	71,722
Taxes	**26,943**	21,766	427	18,752	18,698
Profits allocated to policyholders	**8,904**	7,954	3,700	11,101	9,082
Profits to minority shareholders	**8,516**	6,948	7,892	5,777	4,056
Net contribution to E-L	**$ 31,278**	$ 26,320	$ 29,984	$ 21,302	$ 15,222
Premium income by line					
Individual:					
Insurance	**$ 159,835**	$ 145,793	$ 80,848	$ 76,157	$ 72,663
Annuities	**88,684**	75,285	117,667	87,982	108,220
Health	**1,946**	1,584	1,262	1,537	1,797
	250,465	222,662	199,777	165,676	182,680
Group:					
Insurance	**7,368**	6,597	6,812	7,011	8,166
Annuities	**4,445**	2,543	5,013	7,232	10,548
Health	**58,654**	48,839	48,114	48,825	53,617
	70,467	57,979	59,939	63,068	72,331
	$ 320,932	$ 280,641	$ 259,716	$ 228,744	$ 255,011
Assets, including segregated funds	**$ 3,952,738**	$ 3,791,291	$ 3,732,787	$ 2,401,289	$ 2,035,216

Summary of General Insurance Operations

(all dollar figures expressed in thousands)

	1999	1998	1997	1996	1995
Premium income	**$ 554,662**	$ 541,872	$ 545,471	$ 537,862	$ 468,319
Other income	**7,042**	6,399	6,442	6,265	5,603
Claims	**414,734**	391,200	386,973	377,159	341,550
Operating expenditures including commissions and premium taxes	**192,543**	194,758	181,080	174,494	146,164
Underwriting loss	**(45,573)**	(37,687)	(16,140)	(7,526)	(13,792)
Gain on sale of investments	**16,630**	16,840	41,947	5,117	1,570
Investment income	**47,849**	48,846	51,741	50,447	48,667
Income before taxes	**18,906**	27,999	77,548	48,038	36,445
Income taxes	**6,472**	9,794	23,059	20,905	15,765
Net contribution to E-L	**$ 12,434**	$ 18,205	$ 54,489	$ 27,133	$ 20,680
Claims ratio (to net premiums earned)	**74.8%**	72.2%	70.9%	70.1%	72.9%
Expense ratio (to net premiums earned)	**34.7%**	35.9%	33.2%	32.5%	31.2%
Combined ratio	**109.5%**	108.1%	104.1%	102.6%	104.1%
Net premiums written					
Automobile	**$ 368,000**	$ 340,016	$ 347,123	$ 354,538	$ 316,683
Property	**174,879**	171,884	167,461	166,090	158,558
Casualty	**33,775**	30,999	29,887	28,087	25,337
	$ 576,654	$ 542,899	$ 544,471	$ 548,715	$ 500,578
Assets	**$ 1,229,077**	$ 1,158,312	$ 1,110,133	$ 1,035,532	$ 992,696

Note: Certain comparative information has been reclassified to conform to the basis of presentation adopted in 1999

Summary of Financial Progress Since the Company's Inception

(all dollar figures expressed in thousands except per share amounts)

Year Ending December 31	Total Assets	Net Premiums	Total Revenues	Shareholders Equity	Net Income	Net Income Per Share
1969	$ 161,787	$ 41,256	$ 49,966	$ 21,447	$ 2,032	$ .61
1970	178,204	48,024	57,637	24,656	2,607	.78
1971	192,863	52,386	62,985	27,007	2,504	.75
1972	212,319	57,570	69,404	30,824	4,352	1.31
1973	234,926	67,732	81,221	34,707	4,278	1.28
1974	257,732	76,487	92,117	37,155	2,118	.63
1975	282,000	88,314	105,793	39,741	2,990	.89
1976	323,131	111,484	131,560	45,824	6,375	1.91
1977	376,428	134,419	158,446	55,047	9,970	2.99
1978	450,606	150,607	179,995	70,323	7,252	2.18
1979	487,206	147,330	181,869	82,604	13,084	3.41
1980	536,926	164,708	204,357	97,422	11,300	2.94
1981	585,110	195,967	242,631	92,162	(1,860)	(.48)
1982	630,645	218,042	273,265	100,691	8,662	2.25
1983	706,425	219,067	281,979	129,134	28,464	7.41
1984	777,270	230,445	300,345	150,766	26,954	7.02
1985	1,118,141	356,232	441,180	140,111	(9,671)	(2.52)
1986	1,400,171	435,795	537,969	154,593	18,436	4.80
1987	1,545,769	480,742	602,617	187,455	21,846	5.69
1988	1,666,086	477,787	610,928	222,944	36,097	9.40
1989	1,832,250	547,353	696,924	256,575	40,258	10.48
1990	1,928,160	568,217	727,841	255,463	7,208	1.88
1991	2,341,396	667,477	820,109	276,464	31,725	8.26
1992	2,783,297	737,292	933,083	322,706	18,700	4.87
1993	2,944,319	706,822	914,718	362,925	41,619	10.84
1994	3,029,425	637,915	812,062	402,734	41,055	10.69
1995	3,052,601	723,330	900,179	443,953	43,555	11.34
1996	3,598,443	766,606	964,533	498,320	57,814	15.05
1997	5,130,087	805,187	1,135,463	667,634	166,386	43.32
1998	5,522,285	822,513	1,109,457	951,114	57,165	14.88
1999	$ 5,756,343	$ 875,594	$ 1,185,846	$ 1,001,548	$ 52,599	$ 13.70

This chart is drawn from the individual annual reports and therefore has not been restated for any subsequent changes in accounting policies.

Note:

1985 - The Canadian Indemnity Company was acquired

1986 - Montreal Life Insurance Company was acquired

1991 - Canadian operations of SAFECO Corporation were acquired

1997 - Concordia Life Insurance Company was acquired

- Investment in National Trustco Inc. was sold

1998 - E-L Financial's portfolio investments were recorded at market value versus cost basis

The
DOMINION OF CANADA
General Insurance Company

Corporate Management

President and
Chief Executive Officer
GEORGE L. COOKE

Vice-President and
Chief Information Officer
JANET E. BABCOCK

Vice-President
and Chief Actuary
NATHALIE BÉGIN

Vice-President
Legal and Public Affairs and Corporate Secretary
VIVIAN N. BERCOVICI

Vice-President Claims
JERRY DALLA CORTE

Vice-President
Field Operations
ALAN J. HANKS

Vice-President
and Chief Financial Officer
R. DOUG HOGAN

Vice-President
Corporate Development
JANICE L. LAWSON

Vice-President Special Claims
LORNE D. McCUBBIN

THE EMPIRE LIFE INSURANCE COMPANY

Corporate Management

President and
Chief Executive Officer
CHRISTOPHER H. McELVAINE

Vice-President Field Operations
DAVID E. HATCH

Vice-President Employee Benefits
JAKE J. HILBERDINK

Vice-President Personal Financial Services
DOUGLAS G. HOGEBOOM

Vice-President Information Systems
WENDY R. M. MERKLEY

Vice-President Investments
JILL D. PEPALL

Vice-President Resources
RUTH A. RAPPINI

Vice-President Finance
MICHAEL C. SCHNEIDER

Vice-President and Secretary
WANDA SLAWINSKI